Program 080

DSHS - Medical Assistance Payments

Recommendation Summary

Dollars in Thousands

	Annual FTEs	General Fund State	Other Funds	Total Funds
2003-05 Expenditure Authority	1,028.6	2,368,690	4,893,941	7,262,631
Total Maintenance Level	1,090.9	3,041,981	4,992,836	8,034,817
Difference	62.4	673,291	98,895	772,186
Percent Change from Current Biennium	6.1%	28.4%	2.0%	10.6%
Performance Changes				
Middle Management Reduction	(17.9)	(745)	(1,225)	(1,970)
Estate Recovery		(1,150)	(1,150)	(2,300)
Children's Medical Premiums			22,702	22,702
Eligibility Reviews			66,243	66,243
Children's Health Program	3.2	13,388	939	14,327
Hospital Vendor Rate Increase		27,996	18,737	46,733
Increase Trauma Payments			1,000	1,000
Hospital Payment Study		225	225	450
Review Evidence-Based Purchasing		206	207	413
Expand Drug Cost Management		(6,507)	(6,064)	(12,571)
Patients Requiring Review	8.0	(5,334)	(5,334)	(10,668)
MAA Forecast	3.0	323	323	646
General Inflation		(612)	(3,452)	(4,064)
FTE Staff Adjustment	(.1)			
Non-Medicaid Services-Community		4,600	(4,600)	
Chemical Dependency Treatment Expansion		(23,950)	(22,929)	(46,879)
Graduate Medical Education		(4,000)	(4,000)	(8,000)
Intergovernmental Transfer Structure Design		33,015	(365,404)	(332,389)
Medical Nutrition Scope of Coverage	3.0	(2,584)	(2,583)	(5,167)
School Ad-Match	(2.0)	(123)	(18,121)	(18,244)
MAA Relocation		2,282	2,282	4,564
Safe Babies/Safe Moms Sustainable Fund		1,760	1,440	3,200
Subtotal	(2.8)	38,790	(320,764)	(281,974)
Total Proposed Budget	1,088.1	3,080,771	4,672,072	7,752,843
Difference	59.6	712,081	(221,869)	490,212
Percent Change from Current Biennium	5.8%	30.1%	(4.5)%	6.7%
Total Proposed Budget by Activity				
Administrative Costs	617.6	44,859	182,536	227,395
Disproportionate Share Hospital/Proshare	2.0	33,606	192,577	226,183
Mandatory Medicaid Program for Children and Families	341.6	2,533,898	2,904,178	5,438,076
Medicaid for Optional Children	87.0	78,615	845,161	923,776
Medicaid Program for Aged, Blind and Disabled	23.4	195,547	159,250	354,797
Medical Care for General Assistance Unemployable and ADATSA	1.6	95,874	19,771	115,645
Optional Health Benefits: Dental, Vision, and Hearing	19.2	72,320	175,440	247,760

	Annual FTEs	General Fund State	Other Funds	Total Funds
SCHIP	2.1	1,186	12,533	13,719
Special Programs	11.7	24,570	179,153	203,723
Compensation Cost Adjustment		1,041	2,698	3,739
Middle Management Reduction	(17.9)	(745)	(1,225)	(1,970)
Total Proposed Budget	1,088.1	3,080,771	4,672,072	7,752,843

PERFORMANCE LEVEL CHANGE DESCRIPTIONS

Middle Management Reduction
The Governor has directed that middle management be reduced by 1,000 positions by the end of the biennium. This item is this agency's share of the statewide amount.

Estate Recovery
This item expands the capacity of the Office of Financial Recoveries to collect revenue from the estates of Medicaid-eligible clients. The proposal includes resources to initiate probate proceedings, improved notification of a client's death, and the ability to place Tax Equity and Fiscal Responsibility Act (TEFRA) liens on the property of clients whose condition is such that discharge is not possible. This proposal results in a net savings for both the state and federal general funds. (General Fund-State, General Fund-Federal)

Children's Medical Premiums
Children's medical premiums for families between 150 and 200 percent of the federal poverty level will be delayed through June 2007. The federal government has approved the state's proposal to charge monthly premiums for medical, dental, and mental health coverage of children whose family incomes are above the poverty level. The 2003-05 supplemental budget assumed premiums would be implemented as follows: $10 per child per month for families with incomes between 150 and 200 percent of the poverty level; and $15 per child per month for families with incomes between 200 and 250 percent of the poverty level. The maximum amount due from any family is capped at three children per household. In light of falling children's caseloads related to other factors, former Governor Locke directed that premiums for families with incomes between 150 and 200 percent of the poverty level be delayed until July 2005. The Medical Assistance Administration (MAA) forecast assumes that those premiums go into effect at that time. Funding is added to further delay them, consistent with Governor Gregoire's directive to the department on January 19, 2005. (Health Services Account-State, General Fund-Federal)

Eligibility Reviews
Children's eligibility reviews now occur every 12 months rather than every six months and once eligible, children remain eligible until the next review. These changes were directed by the Governor in January 2005 and are expected to result in 25,850 additional children remaining on the caseload by the end of the 2005-2007 Biennium. (General Fund-Federal, Health Services Account-State)

Children's Health Program
The Children's Health Program was enacted in 1991 to provide health coverage for children up to age 18 in households with incomes up to 100 percent of the federal poverty level who were not otherwise eligible for Medicaid (undocumented aliens). The funds for the program were 100 percent state funds since, by federal standards, these individuals are not eligible for Medicaid. The program was eliminated in October 2002, and enrollment slots were made available in the Basic Health program. About one-fourth of the number of children dropped from coverage continue on the Basic Health program today. The Children's Health Program is restored in the Medical Assistance Administration's budget and the department shall manage enrollment to keep program expenditures at or below the appropriated level. (General Fund-State, General Fund-Federal)

Hospital Vendor Rate Increase
The rates paid to Washington State hospitals for inpatient and outpatient care will be increased on January 1, 2006, and January 1, 2007, and shall be allocated among Washington State hospitals with proportionally higher increases provided to those hospitals with the lowest cost of care. (General Fund-State, General Fund-Federal)

Increase Trauma Payments
Current revenue projections in the Emergency Medical Services and Trauma Care Systems Trust Account indicate that there is capacity for a modest increase in the volume of trauma payments that can be made in the 2005-07 Biennium. (General Fund-Federal, Emergency Medical Services and Trauma Care Systems Trust Account-State)

Hospital Payment Study
The Medical Assistance Administration's (MAA) hospital payment structure for inpatient claims has been developed over many years. During this time, many individual policy efforts have been folded into the payment structure. The last year that a rebasing of the rates occurred was 1998. MAA is directed to contract with an outside entity to conduct a thorough examination of the hospital inpatient payment structure and to recommend a new payment structure that is balanced, equitable, and that uses up-to-date cost data. The study should make use of complete cost data from a wide variety of hospitals; recognize the unique structure of inpatient hospital services in Washington; and recommend a new or updated payment system that rewards efficiently operated hospitals. It should include, but is not limited to the following elements: The selective contracting waiver program, border hospital reimbursements, critical success hospital (CAH) Medicaid reimbursements, and specialty hospital payment methodologies. (General Fund-State, General Fund-Federal)

Review Evidence-Based Purchasing
The Agency Medical Directors' Group (AMDG) has devised a pilot to strengthen the capacity of the AMDG's member agencies to obtain and evaluate scientific evidence regarding evolving health care procedures, services, and technology. The pilot will allow agencies to coordinate their evaluations and will support additional progress in the area of evidence-based health purchasing. Participating agencies are the Health Care Authority, the Department of Social and Health Services' Medical Assistance Administration, the Department of Labor and Industries, the Department of Corrections, and the Department of Veterans' Affairs. The cost of this project is split among the agencies based on their proportion of state health expenditures. (General Fund-State, General Fund-Federal)

Expand Drug Cost Management
The Medical Assistance Administration will contract for a preferred drug list based on reviews of clinical evidence for those classes that have not yet been considered by Washington State's Pharmacy and Therapeutics Committee. Savings are assumed to accrue from either more cost-effective, yet equally efficacious selections or from improved supplemental rebates. (General Fund-State, General Fund-Federal)

Patients Requiring Review
The Patient Review and Restriction program (PRR) is a federal and state medicaid requirement to control over-utilization and inappropriate use of medical services by clients. Clients who have been on the PRR program have shown a 48 percent decrease in emergency room use, a 41 percent decrease in office visits, and a 29 percent decrease in the number of prescriptions. Eight FTE staff are added to increase the number of clients for review and placement into the PRR program, yielding savings in health care expenditures. (General Fund-State, General Fund-Federal)

MAA Forecast
The Medical Assistance Forecast of per capita costs is produced under the aegis of a technical workgroup chaired by the Office of Financial Management and with participation from legislative fiscal committees and the department. Resources are added to the Medical Assistance Administration's budget to accommodate an increase in the responsibilities that will be assumed by MAA. (General Fund-State, General Fund-Federal)

FTE Staff Adjustment
The Department of Social and Health Services (DSHS) will centralize background check FTE staff into the Background Checks Central Unit.

Non-Medicaid Services-Community
Due to recent changes in the federal administration's interpretation of permissible use of Medicaid funds and approval of the state's Mental Health Medicaid Waiver Program, the 14 Regional Support Networks (RSNs) that administer the community mental health system lost Medicaid funding for certain customers and services. This ruling also affects mental health clients in institutions for mental diseases (IMDs) that receive medical assistance support. Funding is provided to backfill this loss. (General Fund-State, General Fund-Federal)

Chemical Dependency Treatment Expansion
Alcohol and drug treatment service levels are increased for adults with co-occurring, but chemically dependent-related problems. The recipients of these services often require emergency services from programs in DSHS, such as medical, mental health, and long-term care. The expansion of the program will be phased in over the biennium with the goal of reaching 40 percent penetration of potential clients by the end of Fiscal Year 2006 and 60 percent penetration by the end of Fiscal Year 2007. In addition to savings in Medical Assistance shown here, additional savings are expected in the areas of Long Term Care and Mental Health. (General Fund-State, General Fund-Federal)

Graduate Medical Education
Payments are made to teaching hospitals in the state to provide for graduate medical education costs to assist in developing new physicians. Hospitals have been paid enhancements, in addition to regular Medicaid reimbursement rates of about $215 million per biennium, for this purpose. About $18 million is paid to Harborview and the University of Washington Medical Center for enhancements to managed-care reimbursements. This managed-care portion is reduced by $8 million. (General Fund-State; General Fund-Federal)

Intergovernmental Transfer Structure Design
The Centers for Medicare and Medicaid Services (CMS) has notified Washington State that the intergovernmental transfer structure (IGT) will no longer be approved. A new methodology will be implemented to satisfy the requirements of CMS. (General Fund-State, General Fund-Federal, General Fund-Private/Local, Health Services Account-State)

Medical Nutrition Scope of Coverage
The department will implement uniform policy changes that include standardizing medical necessity language, monitoring program compliance, monitoring expenditures, and determining cost effectiveness for the medical nutrition program within the Medical Assistance Administration. As a result of these changes, savings of approximately 30 percent of total program expenditures are anticipated. (General Fund-State, General Fund-Federal)

School Ad-Match
Federal spending for the Medicaid administrative activities provided by school districts has declined as a result of new federal guidelines. The federal Medicaid Ad-Match appropriation is reduced to reflect this change. (General Fund-State, General Fund-Federal)

MAA Relocation
The Medical Assistance Administration (MAA) is located in a building that is 25 years old that no longer meets the needs of the program, nor will it accommodate the replacement of the Medicaid Management Information System (MMIS) currently underway. MAA will move to a new location in 2005, and one-time funding is provided for this purpose. (General Fund-State, General Fund-Federal)

Safe Babies/Safe Moms Sustainable Fund
The Safe Babies/Safe Moms program is for Medicaid-eligible pregnant and parenting women identified as "at serious risk for, or currently using" alcohol or substances. A women may be enrolled during pregnancy or anytime before her youngest child turns three years old. Sustained funding is added to continue providing this effective service. (General Fund-State, General Fund-Federal)

ACTIVITY DESCRIPTIONS

Administrative Costs
This activity reflects both the Division of Disability Determination Services and the Medical Assistance Administration's (MAA's) operating costs across all activities. (Health Services Account-State)

Disproportionate Share Hospital/Proshare
Congress established the Disproportionate Share Hospital (DSH) program to ensure continued operation of those hospitals most heavily impacted by charity and Medicaid caseloads. The Department of Social and Health Services operates DSH and several intergovernmental transfer (IGT) and refinancing programs to maximize federal revenue. In the 1999-01 Biennium, the state opted to expand the IGT programs to include public hospital district nursing homes, and further maximize federal revenue using IGTs with the University of Washington and Harborview Medical Center. In prior biennia, participating hospitals and nursing facilities throughout the state have been allowed to keep a percentage of the revenue earned through some of these programs.

Mandatory Medicaid Program for Children and Families
Mandatory clients of this program are families and children eligible to receive Temporary Assistance to Needy Families (TANF); families and individuals terminated from TANF because they have increased earnings or hours of employment or Social Security Disability Insurance income; individuals who are ineligible for TANF because of requirements that do not apply to Medicaid; eligible pregnant women and their newborns; individuals receiving Social Security Income or those eligible to receive mandatory state supplements; and children in foster care or adoption support. Mandatory Medicaid services for eligible clients include inpatient and outpatient hospital care, rural health clinic services, laboratory and X-ray services, nursing home services for clients 21 years or older (other than those in mental hospitals or institutions for the developmentally disabled), EPSDT (Early and Periodic Screening, Diagnosis, and Treatmen) health care program for children, family planning, physician care, and home health.

Medicaid for Optional Children
Medicaid services are provided to those children who do not qualify under the federal mandatory guidelines, but live in families with incomes less than 200 percent of the federal poverty level. (Health Services Account-State)

Medicaid Program for Aged, Blind and Disabled
Medically Needy (MN) is a federal and state-funded Medicaid program for aged, blind, or disabled individuals with incomes above $571 per month and/or resources above $2,000. Clients with income in excess of this limit are required to spend down excess income before medical benefits can be authorized. (Health Services Account)

Medical Care for General Assistance Unemployable and ADATSA
General Assistance-Unemployable (GA-U) is a state-funded program that provides limited medical care to persons who are physically and/or mentally incapacitated and unemployable for more than 90 days. Limited medical care is also provided tc people participating in the state-funded Alcoholism and Drug Addiction Treatment and Support Act (ADATSA) program which provides cash and/or medical benefits, treatment, and support for persons who are unemployed due to drug or alcoho abuse. (Health Services Account)

Optional Health Benefits: Dental, Vision, and Hearing
Federal regulations allow states to cover optional services such as hearing, dental, and vision care under Medicaid, as long as those services are listed in the state plan.

SCHIP
The State Children's Health Insurance Program (SCHIP) currently provides health coverage to about 12,000 children up to age 19, who live in households with income between 200 and 250 percent of the federal poverty level. (Health Services Account-State)

Special Programs
This activity includes family planning and pass-through dollars to school health services, school districts, Indian nations, etc. (Health Services Account-State)

Compensation Cost Adjustment
This item reflects proposed compensation and benefit cost adjustments that were not allocated to individual agency activities. The agency will assign these costs to the proper activities after the budget is enacted.

Middle Management Reduction
The Governor has directed that middle management be reduced by 1,000 positions by the end of the biennium. This item is this agency's share of the statewide amount. These savings will be assigned to the appropriate activities after the budget is enacted.